



# memorandum

## Housing and Community Revitalization

Abt Associates Inc.

**Date** February 24, 2006

**To** The Honorable Judge Dickinson Debevoise  
Gustav Heringburg, Special Master  
Zinnerford Smith, Chairman, Board of Commissioners  
Oliver Lofton, Acting Executive Director  
Neil Gallagher, Department of Justice

**From** MaryAnn Russ, Principal Associate  
Victoria Main, Senior Associate

**Subject** Report to the Court

This report covers Fiscal Year 2005, since the written report of January 14, 2005. In an effort to reduce the effect of the Abt contract on the NHA operating budget, Abt cut its contract cost and reduced monitoring for the past year. We focused on our core mission: public housing vacancies.

### 1. Vacant Unit Turnaround

The period covered by this vacancy report is January 2005 through December 2005. The data used for this report came from the Managers' monthly vacancy logs. The final logs for 2004 were not received until late January of 2005. Both the monthly vacancy log summaries and a year-end summary report are attached to this report. As with the previous year, both the vacancy rate and the turnaround time show a negative trend for 2005.

Month	Vacancy Rate	Turnaround Time (Days)	Turnaround Time (Days)
January	2.75%	3.49%	83.00 days
February	2.82%	3.43%	79.23 days
March	2.76%	4.17%	78.29 days
April	2.94%	4.72%	73.47 days
May	2.74%	5.11%	82.80 days
June	2.84%	5.12%	69.77 days
July	3.38%	5.22%	89.92 days
August	3.42%	5.01%	77.23 days
September	3.48%	5.20%	78.42 days
October	3.82%	5.34%	92.16 days
November	3.42%	5.40%	95.69 days
December	3.16%	5.19%	121.12 days
Average	3.13%	4.76%	84.36 days

For the entire year vacancy rates exceeded HUD's allowable three percent, averaging 4.78 percent per month. This is a serious problem and creates additional problems for future receipt of operating subsidy (described below). In addition, the year has seen substantial increases in turnaround time, the number of days between the last day of occupancy of a resident move-out and the earlier of the next lease date or first date of new occupancy. In only one month, March, did the average number of turnaround days drop below 100 days. On average, every unit was vacant for 135.80 days before being re-leased during 2005. To summarize, every vacant unit is out of service for more than four months before being reoccupied.

Finally, the number of units vacant for more than one year doubled during 2005, from 14.33 units to 28.17 units. These units are found at a variety of properties, not clustered at one or two developments. This indicator is quite inexplicable and disturbing. Further, it cannot be permitted to continue.

These trends are disquieting for a variety of reasons:

1. One of the reasons the Plaintiffs sued the Housing Authority in the first place was the number of long-term vacant public housing units in a city where demand and need for such housing was very high. Now, several years later, the need and demand are unabated;
2. Vacant units are targets for vandalism and criminal activity, which, in fact, is in evidence at a couple of properties;
- ✓ 3. HUD's new model for funding public housing operating subsidy significantly reduces the amount of money PHAs will receive for vacant units; in the past HUD's subsidy for "allowable vacancies" included an imputed amount of rent. The new model provides only the subsidy. Further, PHAs do not earn "management fees" on vacant units;
- ✓ 4. Besides reduced funding for allowable vacancies, HUD will not be providing funding for the majority of vacant units at all; the amount of money available in any future year will be limited to the number of unit-months under lease in the previous year. This is going to hamstring NHA in a very painful way.

In an effort to get to the bottom of the vacancy trends, we conducted a series of visits to sample properties. There was good news and there was bad news. First we saw several properties (e.g. Seth Boyden homes) where the ready-to-lease units were nearly acceptable, but there were some, easily soluble problems – the hallways were not in acceptable condition, the units needed a final cleaning, and the site was not up to par, with trash, water leaks and obvious drug activity in broad daylight. By contrast, a center city family property (Felix Fuld), while unattractive (due to its original design), was sparkling clean, with no loiterers, trash, graffiti, or daylight crime and the units were in very good condition. Baxter Terrace, for years the site of the NHA's Central Office, was appalling – filthy, crowded with drug activity, hallways unsecured with units not ready to lease by anyone's standards. A repeat visit to Upman Gardens revealed that there had been no deterioration in either the physical plant or the quality of management. The manager, in place since leasing is doing an excellent job. Most of the senior properties are in acceptable but not excellent condition. Considering the competition for senior residents, this may not be good enough over the long term.

The disparity in condition between NHA's properties is not based on the age or type of properties – there are poorly managed town home developments and well managed conventional "projects".

The difference is simple -- some properties are well managed and some are poorly managed. Dwight Brown, who has overall responsibility for property management, has not been successful in enforcing performance standards among his housing managers, despite his best efforts. The people he has hired are effective managers and their properties are in good condition. This is also true of some of the managers who were hired before Mr. Brown. Unfortunately, there are also staff working in property management who are not performing adequately despite disciplinary actions by Mr. Brown.

Another aspect of operations that is hindering unit turnaround times is the leasing time. The Occupancy Department is not processing applicants quickly enough, leading to vacancies in ready units. According to Mr. Brown, the problem is exacerbated by the fact that there is no strong leader heading the department who is willing to enforce performance standards.

Even if conditions at NHA were wonderful, the entire public housing industry is facing another bleak year for funding. The president's budget request is estimated to provide only 81 to 85 percent of operating subsidy for all public housing authorities. It is essential to resolve NHA's underlying property management problems as soon as possible. Continuing the current course will result in less and less operating subsidy to the agency and, most importantly, will result in seriously substandard living conditions for residents and limited new housing opportunities for housing applicants.

✓ NHA is a so-called "stop loss" housing authority under the new Operating Subsidy formula. This means that the authority is scheduled to receive substantially less operating subsidy, with reductions in each of the next four years unless HUD recognizes NHA as having successfully making the transition to "asset management". This is not an easy task. NHA would have to meet the following tests, summarized below:

1. Be able to produce timely and accurate monthly financial operating statements at the project level;
2. Provide management services to the properties in the "best interest of the project";
3. The Authority's central office overhead costs must be within allowable limits set by HUD;
4. All centralized services must be charged to the projects using a fee-for-service;
5. NHA must develop and review financial, physical and management performance at each project;
6. NHA must have a physical needs assessment on hand for each project, and a long-term capital plan for each project;
7. NHA must be in compliance with risk management rules, which HUD may interpret to mean it cannot be a troubled agency.

At this writing the NHA's public housing program is considered to be "troubled" as found by a HUD Management Review conducted last year. The staff and Board worked on a draft "Memorandum of Agreement" (MOA), which was submitted to HUD by the Board of Commissioners in October. To date, the MOA has not been executed by HUD. NHA is attempting to comply fully with all the deadlines in the draft MOA.

## 2. Section 8 Program

The HUD Management Review issued at the beginning of April found the Housing Choice Voucher Program to be troubled. Several of the findings related to problems with determining and verifying income and rent. These problems relate to the knowledge and skills of the staff performing admissions and annual reexaminations, reliance on flawed methods that had been approved by the Field Office and continuing problems transitioning to new software. NHA issued a Request for Proposals for comprehensive staff training, but the approach that was taken is being reconsidered. At this time the program is understaffed, from the administrative level down. Once again, efforts were underway to hire an Assistant Director.

HUD faulted the HCV program for its procedures on Rent Reasonableness, Annual Reexaminations, Inspections, and Utility Allowances, Family Self Sufficiency, and Reporting Requirements. It should be pointed out that the policies and procedures used by NHA for the period reviewed by the national HUD team were familiar to and, in some cases, approved by, the Newark HUD Field Office. The point of mentioning this is not to blame the Field Office, but rather to point out that the program is quite technical, apparently not well understood, even by HUD staff, and that NHA should probably not be blamed for thinking that if their Field staff approved a policy or procedure, that it was probably acceptable. Another important point to mention is that the Section 8 program has been in the process of changing software for a protracted period - years, in fact. This has contributed to problems with HUD reporting (which causes poor ratings). The Section 8 Department does not have control of the new software purchase or phase in.

When I interviewed the Section 8 Director, Donnell Brown, she declined to speculate about the program's likely score for 2005.

Timely reports were not received for the entire year. During the period when the Section 8 Director was on sick leave, no reports were received, thus this report reflects only part of the year's activities. For the period covered by reports, 114 vouchers were issued from the waiting list and 1 relocation voucher was issued. Of the waiting list vouchers issued, 98 were to African American Non-Hispanic families, 3 were issued to African American Hispanic families, and 15 were to White Hispanic families. The relocation voucher was issued to an African American Non-Hispanic families family. Of the waiting list vouchers already described above, 2 were issued to elderly families and none to disabled families.

Housing Assistance Payment contracts were executed on behalf of 95 waiting list families, of whom 11 were White Hispanics, 2 were Black Hispanics, and 77 were African American Non-Hispanics. 1 was elderly and none were non-elderly persons with disabilities. Of the 95 waiting list leases executed, 3 were in impacted areas. This last reporting element seems quite unlikely.

Housing assistance payment contracts were issued to 1 relocating family, which was African American non-Hispanic.

### 3. Revitalization of the Central Ward

While in Newark to review management issues, we were able to tour the Central Ward. It would be a serious oversight for us not to mention the dramatic rebirth of this section of Newark. Not only is construction and lease-up nearly complete on the former Stella Wright Homes site, but the former Hayes Homes site contains a handsome mix of fully occupied homeownership and rental units. Community Housing's new homes are occupied and it seems that every vacant lot has a privately financed house under construction. Had we not spent so much time in the Central Ward in the early part of our consultancy, we would not have recognized the area. Private reinvestment includes not just housing, but commercial enterprises and a new High School. This is what Congress had in mind when they authorized the HOPE VI program, but one would be hard pressed to find a more successful example of what public housing revitalization can accomplish at its best.

NHA deserves credit both for its vision and for its hard work in bringing this renaissance to fruition.

### 4. Occupancy Policy Issues

Late in 2003 Abt submitted a revised Admissions and Continued Occupancy Policy document and accompanying procedures to NHA for review, amendment and adoption. MaryAnn Russ trained all NHA's Occupancy and Property Management staff on the new policies and procedures during the week of March 29, 2005. We believe that the new policies have either been adopted or are scheduled for adoption at the next Board meeting.

### 5. The Future

At this writing the Newark Housing Authority is without an Executive Director. A consulting firm has been retained to assist the Board with recruiting a qualified candidate. We hope that NHA is successful in attracting a highly qualified Executive, since the years ahead would be difficult ones even if NHA were not a troubled housing authority. The staff includes many committed individuals with valuable contributions to make, but a strong leader will determine whether those contributions actually benefit the residents who need and deserve them.

cc: Jon Dubin  
Harris David